

Part IV – Items of General Interest

Correction to High-Low Substantiation Method for Per Diem Allowances in Rev. Proc. 2006-41

Announcement 2006-96

This announcement makes a correction to Rev. Proc. 2006-41, 2006-43 I.R.B. 777 (October 23, 2006), released September 29, 2006, which provides rules under which the amount of ordinary and necessary business expenses of an employee for lodging, meal, and incidental expenses incurred while traveling away from home are deemed substantiated under § 1.274-5 of the Income Tax Regulations.

Section 5 of Rev. Proc. 2006-41 provides rules for the high-low substantiation method, which may be used in lieu of the per diem substantiation method of section 4.01 of Rev. Proc. 2006-41 when a payor (the employer, its agent, or a third party) provides a per diem allowance for lodging, meals, and incidental expenses under a reimbursement or other expense allowance arrangement. Section 5.03 of Rev. Proc. 2006-41 identifies localities that are high-cost localities (for all of the calendar year or for a portion of the calendar year) for purposes of the high-low substantiation method. Section 5.03 contains an error in identifying the period for which Martha's Vineyard, Massachusetts, is a high-cost locality. The correct period is June 1, 2007, through August 31, 2007.

DRAFTING INFORMATION

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